

Accounting-Financial

Subject: Cost Allocation Plans

Information:

- A. A cost allocation plan must be formulated by the transit agency (recipient) and submitted to your project manager for approval if one of the following conditions exist:
- B. If the transit agency receives funds from the local bus operating programs and has one of the following conditions, a cost allocation plan should be submitted:
 - 1. A recipient (agency) has joint costs with a unit or units of government.
 - a. The agency rents office space, maintenance facilities or any other item from a local unit of government, including another transit agency.
 - b. The agency purchases services, such as maintenance, insurance, fuel, accounting, computer time, etc. from a local unit of government, including another transit agency.
 - 2. A recipient (agency) has multiple funding sources that require separate accounting.
 - a. The agency has more than one MDOT funding source or project: Local Bus Operating, Regional Transportation, Project Zero or Specialized Services performed by public transit agencies (recipients), for example.
 - 3. A recipient provides services to outside agencies.
 - a. The agency performs incidental charter or contractual public transportation service to another public transit agency.
 - b. The agency sells maintenance services or other services.
 - 4. A recipient (agency) has employees who simultaneously work for other programs under the local agency.

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Please note that this list of conditions is only illustrative and not all inclusive; other conditions may require a cost allocation plan.

If it is not clear whether or not a transit agency needs a cost allocation plan, please refer to the Local Bus Transit Revenue and Expense Manual.

- C. Approved cost allocation plans are reviewed for compliance by the transit agency's Certified Public Accountant and/or Commission Audit during the audit of the transit agency to determine allowable costs; noncompliance is noted in the CPA management letter.

Actions Needed:

- A. When a plan is needed, submit to your Project Manager.
- B. When the PTD letter of approval is received, keep in file for your auditor.

Contact: If you have any questions on this procedure, contact your Project Manager.

Approved:

Signed By: Kim Johnson

11/07/2002

Acting Division Administrator

Date

PTD:PAS:PDU:KS